

**STATE OF MICHIGAN
CHIEF FINANCIAL OFFICERS' COUNCIL
Summary of January 22, 2004 Meeting**

The first meeting of the Chief Financial Officers' (CFO) Council for calendar year 2004 was held at 10:00 a.m., Thursday, January 22, 2004, in the Ottawa Conference Center, Room #4.

CFO Council members in attendance:

David Bruce – Agriculture	Minesh Mody – MI Economic Dev. Corp.
Daniel Bojalad – Civil Rights	Joel Wortley – Military & Vet. Affairs
Carol Vargovich – Civil Service	Joseph Pavona – State
Dennis Fedewa – Environmental Quality	Jerri McClure – State Police
Howard Pizzo – Management & Budget	Ed Timpf -- Transportation

Other attendees:

Laura Hirst – Auditor General	Joe Frick – Natural Resources
Jim Brandell – Community Health	Rick Lowe – OFM
Lori Schomisch – Education	Ruth Mealy – OFM
Kim Stephen – Environmental Quality	Laura Mester – OFM
Russ Hecko – Family Ind. Agency	

Mike Moody, Director of the Office of Financial Management (OFM) and Chair of the Council, welcomed Jerri McClure of State Police to the group. There were no additions to today's agenda. The draft summary of the October 23, 2003 meeting was approved as written.

Mike stated the CAFR was issued on December 23, 2003, three days earlier than last year. This is the second consecutive year it has been issued in under 90 days, so it is no longer considered an accelerated close. It is the norm. Mike thanked the members and their staff, as well as the Auditor General, for its success.

Mike congratulated Laura Mester for receiving the William Snodgrass Award from the AGA. She is very deserving of this award, which reflects on her staff, as well as all financial staff across the State of Michigan.

Mike informed the group of Steve Stier's departure from OFM, Technical, Audit and Business Services Division. He accepted a position as Bureau Director for the Department of State. It is our intent to replace Steve, but we are currently reviewing

the overall structure of OFM before filling the vacancy. Any questions can be directed to the three section managers: Marge Fuller in Training and Communication; Rick Lowe in Internal Control/Security Management; and Jane Paxton in Customer and System Support.

Mike stated OFM is encouraging an initiative to take the accounting and financial procedures out of the Administrative Guide and place them in a new OFM guide, yet to be named. Currently, policies are found in the Ad Guide and procedures are found in the FRAM and different payroll and accounting directives. This would keep accounting and financial reporting policies and the procedures supporting them in one place. The Ad Guide adds another layer of review that delays issuance. This will be a transitional thing, which may take a year or two to complete.

Mike said it was planned to give the results of OFM's Customer Survey at this meeting, but since only eight responses were received, it was decided it would be more beneficial if we could hear from more agencies before sharing the results. We hoped this would be a good tool for agencies to have an opportunity to influence what OFM does and how they do things. The survey will be mailed within the week to those departments we have not heard from asking for responses by mid-March for discussion at the April CFO meeting.

BRIEFINGS AND REPORTS TO CFOs

OFM Financial Control Division Update

Laura Mester, FCD Director, reported they are cleaning up from the CAFR and year-end close.

They are working on gathering financial information for the Michigan Popular Report.

They are making some data fixes to ADPICS in hopes that it will assist in the broken data regarding the accounting system project with MDOT.

The DCH Vendor File project is moving along. This project involves interfacing files to the OFM vendor file and converting side-door interfaces to front-door interfaces. Currently, EFTs cannot go through the side-door and it is cheaper to use EFTs than warrants.

We are working with Treasury on the CEPAS project.

FMUG established two work groups to work on interagency transactions. We hope to work with agencies on a way to reduce the number of transactions and standardize some.

FCD would like to help facilitate along with DIT and the agencies on asset management issues, e.g., computer equipment. We need to identify DIT's requirements.

One of the first priorities in our new OFM guide will be looking at the encumbrance policy.

FCD staff is working with Budget staff to review and monitor fund balances.

OFM Financial Operations Division Update

Ruth Mealy, FOD Director, reported the 1099s were mailed January 21 and the W-2s will be mailed January 23. They are monitoring for prior year adjustments that affect payroll and working with agencies and employees to be sure they have accurate reporting information.

Two new staff started this week in FOD helping with the accounting aspect in payroll.

The electronic earnings statement is back on-line. Effective with the January 29 pay date, employees will no longer receive paper statements.

We are working with Lawson on the final business requirements for the Travel and Expense Reimbursement project. Within a couple of weeks, communication should be received regarding the timeline for the project.

OFM Technical, Audit, & Business Services Division (TABS) Update

Rick Lowe, Manager of the Internal Control/Security Management Section, reported on the Contract & Payment Express web site. We had hoped the call volume would have decreased since implementing three years ago. One problem area may be that agencies are maintaining C&PE information on their web sites but is not updated when C&PE is updated. The instructions are incorrect and causing user confusion. We encourage agencies have a method in place to be sure the information they have on their web sites is consistent with the instructions on C&PE. It is suggested agencies review their web sites and remove as much of the information as possible, leaving the C&PE link. This will decrease user confusion and save agencies the

work of ensuring their instructions are updated every time C&PE is updated. Any questions may be directed to Jane Paxton at 517-241-7727.

The internal control evaluation agency site visits are complete and a report is in process. Several recommendations include a better focus of the evaluation toward measurable department-wide objectives, improving the toolset for evaluation of financial activities, and increasing the evaluation of controls in Information Technology applications. OFM will determine available resources to begin work on the process areas requiring improvement.

OFM has developed and will begin requiring agencies to submit a signed monitoring checklist on a semi-annual basis. Agency Security Administrators and Chief Financial Officers are to agree they have monitored the appropriateness of security privileges and that current privileges are consistent with the approved agency security framework. The first reports are due April 30, 2004.

The OFM web site has undergone some changes. Any suggestions as to content or improvements should be directed to Marge Fuller at 517-241-7156.

CFO Member Roundtable Discussion

No issues to discuss.

The meeting adjourned at 10:30 a.m.

Next meeting: Thursday, April 22, 2004 – 10:00 a.m.
Ottawa Conference Center, Room 4

Summary prepared by:

Adel Beachnau, Council Secretary